PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Financial Statements

December 31, 2012

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

www.keitercpa.com

PATIENT SERVICES, INC.
AND SUBSIDIARY

Table of Contents

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Patient Services, Inc.
Midlothian, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Patient Services, Inc. and its subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patient Services, Inc. and its subsidiary as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying statements of financial position, activities, cash flows, and functional expenses for PSI only are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keiter

March 28, 2013
Glen Allen, Virginia

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2012

Assets

Current assets:	
Cash and cash equivalents	$26,370,295
Investments	5,427,415
Contributions receivable, net	38,497,137
Prepaid expenses	48,301
Total current assets	70,343,148
Property and equipment:	
Land	291,100
Buildings	2,485,867
Furniture and equipment	1,402,570
	4,179,537
Less accumulated depreciation	1,501,256
Net property and equipment	2,678,281
Other assets:	
Intellectual property	476,000
Life insurance annuity	1,010,365
Deferred financing costs	64,003
Deposits	43,524
Total other assets	1,593,892
	$ 74,615,321

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statement of Financial Position, Continued
December 31, 2012

Liabilities and Net Assets

Current liabilities:	
Current maturities of long-term debt	$ 149,788
Accounts payable	322,266
Accrued expenses	933,262
Total current liabilities	1,405,316
Long-term liabilities:	
Long-term debt, less current maturities	856,913
Total liabilities	2,262,229
Net assets:	
Unrestricted net assets	11,849,073
Temporarily restricted net assets	60,504,019
Total net assets	72,353,092
	$ 74,615,321

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Contributions	$ 8,005,311	$ 53,297,487	$ 61,302,798
Fees for contracted services	424,968	1,660,760	2,085,728
Interest income	31,857	-	31,857
Miscellaneous income	23,531	-	23,531
Gain on life insurance annuity	73,237	-	73,237
Net assets released from restrictions	50,332,149	(50,332,149)	-
Total revenue and other support	58,891,053	4,626,098	63,517,151
Expenses and losses:			
Program services	52,578,742	-	52,578,742
Fund-raising	1,007,476	-	1,007,476
Management and general	3,212,185	-	3,212,185
Total expenses and losses	56,798,403	-	56,798,403
Change in net assets	2,092,650	4,626,098	6,718,748
Net assets, beginning of year	9,756,423	55,877,921	65,634,344
Net assets, end of year	$ 11,849,073	$ 60,504,019	$ 72,353,092

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended December 31, 2012

Cash flows from operating activities:	
Change in net assets	$ 6,718,748
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	182,840
Gain on life insurance annuity	(73,237)
Changes in assets and liabilities:	
Contract fees receivable, net	3,771,771
Prepaid expenses	(20,591)
Deposits	(3,237)
Accounts payable	164,724
Accrued expenses	534,275
Net cash provided by operating activities	11,275,293
Cash flows from investing activities:	
Purchase of property and equipment	(200,530)
Purchase of life insurance annuity	(300,000)
Purchase of investments, net	(60,067)
Net cash used in investing activities	(560,597)
Cash flows from financing activities:	
Principal repayment of long-term debt	(142,487)
Net cash used in financing activities	(142,487)
Net increase in cash and cash equivalents	10,572,209
Cash and cash equivalents, beginning of year	15,798,086
Cash and cash equivalents, end of year	$ 26,370,295
Supplemental cash flow disclosures:	
Cash paid for interest	$ 21,819

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services	Fund-Raising	Management and General	Total
Direct expenses:				
Direct payment assistance	$ 50,332,148	$ -	$ -	$ 50,332,148
Indirect expenses:				
Advertising	119	45,250	62,210	107,579
Amortization	6,315	403	1,283	8,001
Bank fees	820	52	167	1,039
Computer network	11,002	6,802	46,787	64,591
Conferences and travel	17,261	164,804	205,875	387,940
Continuing education	2,720	6,045	8,178	16,943
Depreciation	131,786	8,417	34,636	174,839
Dues and subscriptions	1,884	20,533	47,409	69,826
Gifts and incentives	17,293	1,465	22,266	41,024
Insurance	23,495	1,501	4,775	29,771
Interest expense	17,219	1,100	3,500	21,819
Legal and accounting	49,053	2,472	207,158	258,683
Meals	1,734	12,793	40,620	55,147
Occupancy	28,156	31,062	103,212	162,430
Office expense	125,164	25,632	51,506	202,302
Patient representation	34,384	-	-	34,384
Public relations	-	10,000	10,848	20,848
Registration fees	6,294	402	1,938	8,634
Salaries and benefits	1,713,146	640,941	2,205,292	4,559,379
Subcontractors	38,180	15,298	115,738	169,216
Taxes and licenses	6,327	399	1,294	8,020
Telecommunications	14,242	12,105	37,493	63,840
Total indirect expenses	2,246,594	1,007,476	3,212,185	6,466,255
	$ 52,578,742	$ 1,007,476	$ 3,212,185	$ 56,798,403

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies:

Patient Services, Inc. (“PSI”) is a national nonprofit organization based in Midlothian, Virginia. PSI provides financial support to patients and families effected by Alpha 1 Antitrypsin Deficiency, Bone Metastases, Breast Cancer Screening, Chronic Myelogenous Leukemia, Chronic Inflammatory Demyelinating Polyneuropathy, Complement Mediated Diseases, Clostridium Difficile, Cystic Fibrosis (with Pseudomonas), Fabry Disease, Gastrointestinal Stromal Tumors, Hemophilia, Hereditary Angioedema (C1 Inhibitor Deficiencies), Inhibitors in Hemophilia, MPS 1, Pompe Disease, Primary Immune Deficiency, Virginia HIV/AIDS SPAP and ADAP Programs, Pleural Effusions & Malignant Ascites, Metastatic Melanoma, Metastatic Renal Cell Carcinoma, Pseudobulbar Affect (PBA) and von Willebrand Disease. The following programs came to an end in 2012: Acromegaly, Cutaneous T - Cell Lymphoma (CTCL), Insulin Like Growth Factor 1 (IGF1) and Congenital Protein C Deficiency.

During 2012, PSI formed Accesia, Inc. (“Accesia”), as a wholly-owned taxable subsidiary, with its primary offices located in California. Accesia was established as a Virginia stock corporation on April 25, 2012. Its purpose is to provide certain services to third parties in connection with the administration of patient assistant programs. Accesia is structured to comply, and operates in compliance with, relevant provisions of the Social Security Act, including the maintenance of an “ethical wall” between PSI and Accesia designed to ensure PSI’s independence in the operation of its patient assistance programs.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of PSI and Accesia (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation: The Organization’s financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Total temporarily restricted net assets of $60,504,019 are restricted by donors for program purposes in the amount of $55,808,489 and restricted by time for administrative purposes in the amount of $4,695,530. The Organization did not have any permanently restricted net assets as of December 31, 2012.

Contributions received are recorded as unrestricted or temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction.

1. Nature of Operations and Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers demand deposits and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are reported at fair value in the consolidated statement of financial position. Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses are reflected in the consolidated statement of activities.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Promises to Give: Contributions are promises to give to the Organization that are, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment: Property and equipment are recorded at cost if purchased or fair value if contributed. Depreciation is computed using an accelerated method for furniture and equipment and the straight-line method for buildings and improvements over estimated useful lives as follows:

- Furniture and equipment 5 – 15 years
- Buildings 15 – 39 years

New acquisitions of property and equipment having a cost of less than $2,500, or which are not expected to last for more than a year, are expensed in the year of acquisition. Depreciation expense was $174,839 for 2012.

In accordance with GAAP, management reviews the recorded value of the property for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Contributions Receivable: Contributions receivable consist primarily of amounts due from the contributing drug companies. Receivables are recorded at the net realizable value, which approximates their fair value. Management reviews receivables on a regular basis and accounts are written-off once deemed uncollectible.

1. Nature of Operations and Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Financing Costs: Deferred financing costs are amortized over the life of the related long-term debt using the straight-line method. Amortization expense was $8,001 for 2012.

Income Taxes: PSI is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and is an organization that is not a private foundation under Section 509(A)(1). No income tax was paid during the year ended December 31, 2012. Accesia was formed as a C corporation during 2012. Due to its lack of activity during 2012, no provision or liability for income taxes has been included in the accompanying consolidated financial statements.

Management has evaluated the effect of accounting guidance surrounding uncertain income tax positions and concluded that the Organization and its subsidiary has no significant financial statement exposure to uncertain tax positions at December 31, 2012. The Organization's informational returns (Form 990) for years since 2009 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Advertising: Advertising costs are expensed as incurred and are included in functional expenses in the accompanying consolidated statement of activities. Advertising expense for the year ended December 31, 2012 was $107,579.

Organization Costs: Costs of start-up activities and other organization costs have been expensed as incurred.

Subsequent Events: Management has evaluated subsequent events through March 28, 2013, the date the consolidated financial statements were available for issuance, and has determined that no additional disclosure is necessary.

2. Fair Value Measurements:

The Organization has adopted Financial Accounting Standards Board ("FASB") guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels.

The Organization's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1:** Inputs that are based upon quoted prices for identical instruments traded in active markets.

- **Level 2**: Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the marker or can be corroborated by observable market data for substantially the full item of the investment.

- **Level 3**: Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flows models, and similar techniques.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Government agencies - Valued utilizing the market approach as determined by the fund manager or market process for similar instruments within public markets.

Money market funds - Valued at the net asset value of shares held by PSI at year end.

2. Fair Value Measurements, Continued:

Annuity contracts - Valued based on summation of values assigned to underlying investments in equity and fixed income securities, most of which are traded on an active market.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2012, based on the level of input utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Government agencies	$ -	$3,030,000	$ -	$3,030,000
Money market funds	2,397,415	-	-	2,397,415
Annuity contracts	-	-	1,010,365	1,010,365
Total assets at fair value	$2,397,415	$3,030,000	$1,010,365	$6,437,780

The following table presents additional information about level 3 assets measured at fair value on a recurring basis at December 31, 2012:

	Annuity Contracts
Beginning balance	$ 637,128
Purchases	300,000
Unrealized gain	73,237
Ending balance	$ 1,010,365

3. Long-Term Debt:

The Organization has a note payable dated December 1, 2010 in the original principal amount of $1,632,000; the note is collateralized by real property, and bears interest at 68% of one-month LIBOR plus 65% of 2.75%.

The outstanding balance was 1,006,701 at December 31, 2012. Current maturities at December 31, 2012 were $149,788.

3. Long-Term Debt, Continued:

Future maturities were as follows at December 31, 2012:

Year	Amount
2013	$ 149,788
2014	152,708
2015	155,686
2016	158,722
2017	161,817
Thereafter	227,980
	$ 1,006,701

4. Intellectual Property:

Intellectual property in the amount of $476,000 was acquired from a member of management of PSI in 2004. In accordance with GAAP, no amortization of intangible assets with an indefinite life has been recorded. The Organization assesses intellectual property for impairment annually. No impairment adjustments were recorded during 2012.

5. Leases:

The Organization has entered into various leases for office space, office equipment, and a storage facility that range in duration from three to five years. Future minimum lease payments at December 31, 2012 were:

Year	Amount
2013	$ 231,289
2014	278,774
2015	285,951
2016	239,853
	$ 1,035,867

6. Fund-Raising Expenditures:

The Organization solicits funds from organizations and individuals within the chronic illness community. Contributions are solicited through attending conferences, direct contact, literature mailings and other methods. Fund-raising expenditures totaled $1,007,476 in 2012.

7. Retirement Plan:

Effective January 1, 2010, the Organization sponsors a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which covers eligible full-time employees after six months of continuous service. Voluntary contributions made by PSI are determined annually. Retirement expense for 2012 was $130,635.

8. Concentrations:

The Organization maintains several bank accounts at one bank located in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage, through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. Cash at this institution exceeded federally insured limits. The Organization, from time to time, may have amounts on deposit in excess of the insured limits.

The Organization maintains investments through one financial institution. The Securities Investor Protection Corporation (SIPC) insures deposits up to $500,000. The amount in excess of the SIPC limit totaled $4,927,415 as of December 31, 2012.

For the year ended December 31, 2012, contributions from nine donors comprised approximately 96% of total contributions. In addition, 81% of contract fees receivable are due from one donor as of December 31, 2012.

SUPPLEMENTAL INFORMATION

PATIENT SERVICES, INC.
AND SUBSIDIARY

Statement of Financial Position – PSI Only
December 31, 2012

Assets

Current assets:	
Cash and cash equivalents	$26,107,561
Investments	5,427,415
Contract fees receivable, net	38,497,137
Accounts receivable	468,320
Prepaid expenses	27,539
Total current assets	70,527,972
Property and equipment:	
Land	291,100
Buildings	2,459,497
Furniture and equipment	1,237,678
	3,988,275
Less accumulated depreciation	1,493,406
Net property and equipment	2,494,869
Other assets:	
Intellectual property	476,000
Life insurance annuity	1,010,365
Investment in Accesia	400,000
Deferred financing costs	64,003
Deposits	2,000
Total other assets	1,952,368
	$74,975,209

See report of independent accountants.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Statement of Financial Position – PSI Only, Continued
December 31, 2012

Liabilities and Net Assets

Current liabilities:	
Current maturities of long-term debt	$ 149,788
Accounts payable	154,345
Accrued expenses	915,040
Total current liabilities	1,219,173
Long-term liabilities:	
Long-term debt, less current maturities	856,913
Total liabilities	2,076,086
Net assets / stockholder's equity:	
Unrestricted net assets	12,395,104
Temporarily restricted net assets	60,504,019
Common stock	-
Accumulated deficit	-
Total net assets / stockholder's equity	72,899,123
	$74,975,209

See report of independent accountants.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Statement of Activities – PSI Only
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Contributions	$ 8,005,311	$53,297,487	$61,302,798
Fees for contracted services	424,968	1,660,760	2,085,728
Interest income	31,857	-	31,857
Miscellaneous income	23,531	-	23,531
Gain on life insurance annuity	73,237	-	73,237
Net assets released from restrictions	50,332,149	(50,332,149)	-
Total revenue and other support	58,891,053	4,626,098	63,517,151
Expenses and losses:			
Program services	52,578,742	-	52,578,742
Fund-raising	1,007,476	-	1,007,476
Management and general	2,666,154	-	2,666,154
Total expenses and losses	56,252,372	-	56,252,372
Change in net assets	2,638,681	4,626,098	7,264,779
Net assets, beginning of year	9,756,423	55,877,921	65,634,344
Net assets, end of year	$12,395,104	$60,504,019	$72,899,123

See report of independent accountants.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Statement of Cash Flows – PSI Only
Year Ended December 31, 2012

Cash flows from operating activities:	
Change in net assets	$ 7,264,779
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	174,990
Gain on life insurance annuity	(73,237)
Changes in assets and liabilities:	
Contract fees receivable, net	3,771,771
Accounts receivable	(468,320)
Prepaid expenses	171
Deposits	38,287
Accounts payable	(3,197)
Accrued expenses	516,053
Net cash provided by operating activities	11,221,297
Cash flows from investing activities:	
Purchase of property and equipment	(9,268)
Purchase of life insurance annuity	(300,000)
Purchase of investment in Accesia	(400,000)
Purchase of investments	(60,067)
Net cash used in investing activities	(769,335)
Cash flows from financing activities:	
Proceeds from investors	-
Principal repayment of long-term debt	(142,487)
Net cash used in financing activities	(142,487)
Net increase in cash and cash equivalents	10,309,475
Cash and cash equivalents, beginning of year	15,798,086
Cash and cash equivalents, end of year	$26,107,561
Supplemental cash flow disclosures:	
Cash paid for interest	$ 21,819

See report of independent accountants.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Statement of Functional Expenses – PSI Only
December 31, 2012

	Program Services	Fund-Raising	Management and General	Total
Direct expenses:				
Direct payment assistance	$50,332,148	$ -	$ -	$50,332,148
Indirect expenses:				
Advertising	119	45,250	392	45,761
Amortization	6,315	403	1,283	8,001
Bank fees	820	52	167	1,039
Computer network	11,002	6,802	32,709	50,513
Conferences and travel	17,261	164,804	186,855	368,920
Continuing education	2,720	6,045	8,178	16,943
Depreciation	131,786	8,417	26,786	166,989
Dues and subscriptions	1,884	20,533	46,359	68,776
Gifts and incentives	17,293	1,465	22,266	41,024
Insurance	23,495	1,501	4,775	29,771
Interest expense	17,219	1,100	3,500	21,819
Legal and accounting	49,053	2,472	146,548	198,073
Meals	1,734	12,793	37,780	52,307
Occupancy	28,156	31,062	100,228	159,446
Office expense	125,164	25,632	47,176	197,972
Patient representation	34,384	-	-	34,384
Public relations	-	10,000	10,848	20,848
Registration fees	6,294	402	1,279	7,975
Salaries and benefits	1,713,146	640,941	1,844,026	4,198,113
Subcontractors	38,180	15,298	110,247	163,725
Taxes and licenses	6,327	399	1,269	7,995
Telecommunications	14,242	12,105	33,483	59,830
Total indirect expenses	2,246,594	1,007,476	2,666,154	5,920,224
	$52,578,742	$ 1,007,476	$ 2,666,154	$56,252,372

See report of independent accountants.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor	Grant Name	CFDA #	Expenditures
U.S. Department of Health and Human Services Passed through the Virginia Department of Health and Human Services	Ryan White Part B HIV Care Grant Program	93.917	$ 1,720,702
Total Expeditures			$ 1,720,702

1. Basic Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Patient Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic consolidated financial statements.

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Patient Services, Inc.
Midlothian, Virginia

We have audited the consolidated financial statements of Patient Services, Inc. and subsidiary (the "Organization") as of and for the year ended December 31, 2012, and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keiter

March 28, 2013
Glen Allen, Virginia

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNALCONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Patient Services, Inc.
Midlothian, Virginia

Compliance

We have audited Patient Services, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Certified Public Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

A *deficiency in internal control* over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that that there is a possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keiter

March 28, 2013
Glen Allen, Virginia

PATIENT SERVICES, INC.
AND SUBSIDIARY

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2012

Not Applicable

PATIENT SERVICES, INC.
AND SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

A. SUMMARY OF AUDIT RESULTS:

(1) Unqualified opinion on the basic consolidated financial statements.

(2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit.

(3) No noncompliance which is material to the financial statements was disclosed by the audit.

(4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were disclosed by the audit.

(5) Unqualified opinion on compliance for major programs.

(6) No audit findings were disclosed by the audit.

(7) Major Programs:

Ryan White Part B HIV Grant Program - $1,720,702

(8) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(9) The auditee did not qualify as a low risk auditee.

B. FINDINGS RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

None

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

PATIENT SERVICES, INC.
AND SUBSIDIARY

Corrective Action Plan
Year Ended December 31, 2012

Not Applicable